

## **Chapter - 12**

### **Operational Management**

#### **1. Introduction**

This section of the plan is designed to cover the annual cost and revenues associated with the operational management of Chesapeake Forest Lands. It is the Department's intent that all revenues generated from the Chesapeake Forest Project will be used to pay for the management and operation of the Forest. The numbers expressed in this section are only estimates and averages of annual expenses and revenues. These numbers will fluctuate each year based on management prescriptions, economic conditions and public use of the forest.

#### **2. Objective**

One of the eight original management objectives of the Chesapeake Forest states:  
- *"Maintain an economically self-sufficient forest that pays for the cost of management, operation, restoration and public use of these lands, plus makes a positive economic contribution to the natural resource future of the Eastern Shore. This will be accomplished through the sale of products and the sharing of revenues with the affected counties under Maryland law."*

The following information is a breakdown on Revenues and Operational costs associated with Chesapeake Forest. These figures are only estimates that are based on projected revenues and operational expenses. Yearly changes in the timber markets and weather conditions can severely affect revenues. Also gradual changes in the acreage under hunt club lease agreements to more public hunting areas will reduce revenues. Operational expenses will vary from year to year mainly based on costs associated with proposed restoration projects. For many watershed restoration projects other sources of revenues such as matching grants will be sought to help offset the cost to the Department.

#### **3. OPERATIONAL COST: *Estimated Annual Expenses - \$ 980,000***

##### **- Staffing: \$300,000**

This cost is associated with Departmental staffing and contractual management. At this point there are three fulltime state personnel working on the Chesapeake Forest, a forest manager, field forester and a forest technician. Future plans include hiring additional staffing to cover wildlife management activities, restoration projects and additional forestry related activities. A private contractual management team will continue to provide overall management on the gifted half of the Chesapeake Forest until such time that the Department can assume total management of the forest and fill needed staff positions.

##### **- Land Operation Cost: \$400,000**

This includes expenses for office and field equipment, vehicles, gates, gravel, signs, boundary paint, roadwork contracts and construction, trash removal from illegal dumping, boundary line work & surveying, forest harvesting operations, tree planting and

site preparation. Some of these costs will vary greatly from year to year based on the activities identified in the Annual Work Plan.

**- *Inventory & Monitoring Program: \$70,000***

This estimate reflects the annual cost of various on-going research projects on the forest. Expenses are directly tied to the Chesapeake Forest Monitoring Plan.

The purpose of forest monitoring is to accurately evaluate forest health and the effects of specific management activities. Resource managers will use the information to make informed future management decisions (i.e. adaptive management). Cost would cover both forest resource and sensitive habitat inventories and monitoring the effects of various restoration projects.

**- *Watershed Restoration Projects: \$50,000***

Expenses are associated with wetland and sensitive area restoration projects. Projects include the installation of ditch plugs and water control structures, removing invasive species and re-establishing native plant communities and habitat. Actual costs for these activities may increase each year. However, some funding will be obtained through partnerships and grants, such as State Highway SAFETEA funds, this would provide at least half of the required funding.

**- *Sustainable Forest Certification: \$10,000 (average yearly cost)***

Expenses for forest certification will vary from year to year and will be at their highest at the initial certification and then every five years when the re-certification is done. Routine audits are used to verify compliance with the various certification programs. The goal is to certify Chesapeake Forest under both the Sustainable Forest Initiative (SFI) and the Forest Stewardship Council (SFC). Each certifying agency takes a slightly different look at what is needed for sustainable forest management. Expenses will include fees for audits and annual monitoring programs for compliance with the certification requirements. The estimates are that initial certification will cost \$40,000 with this expense repeated every five years, annual audits to verify compliance with the program will cost about \$8,000.

**- *County Payments: \$150,000***

This cost is calculated based on the total revenue generated from the Chesapeake Forest in each county. Payments are made on an annual basis to each county government based on 15% of the revenue generated in that county. The majority of these payments come out of revenue generated from timber sales and hunt club user agreements.

**- *Fixed Costs: \$8,000***

This expense includes all Public Drainage Association (PDA) tax assessments. This tax is paid only on the portions of the forest that fall within Public Drainage Associations. The annual tax is used to maintain drainage ditches within the boundaries of each association.

#### **4. REVENUE SOURCES: *Estimated Annual Revenues - \$1,018,000***

Revenues that are generated from the Chesapeake Forest are deposited into the Department's Forest Reserve Fund. In order to cover expenses out of this Fund, a Chesapeake Forest Budget must be developed a year in advance as part of the larger DNR budget. It then goes through the legislative approval/review process along with all other state operating budgets. Once adopted, the budget goes into effect the first day of the fiscal year (July 1<sup>st</sup>).

##### **- *Forest Product Sale Revenue: \$650,000***

This revenue is generated from the sale of forest products, which are identified in the Annual Work Plan. Traditional forest products include pulpwood and sawtimber from first and second thinnings and regeneration harvests. This revenue is tied to forest harvest activities identified in the annual work plan and will vary each year. With the current age class distribution of the forest most revenue will be from "thinning" operations.

##### **- *Hunt Club Lease Agreements: \$268,000***

This is revenue generated from annual fees charged to Hunt Clubs for lease agreements. Fees are based on a per acre rate for exclusive hunting rights on specific forest tracts during the legal hunting seasons. This revenue source may continue to diminish over time as Chesapeake Forest tracts are opened up for Public Use. As a result this revenue loss will also cause a corresponding decrease in county payments.

##### **- *General Funds: \$100,000***

These funds are state tax revenues provided annually to cover a small portion of the operational budget. Most of these funds are used to pay Departmental staff salaries. These funds may fluctuate based on the fiscal conditions of the state.

#### **5. Summary**

This is the general breakdown on Revenues and Operational Cost associated with the Chesapeake Forest. As described, these figures will vary from year to year. A more detailed picture on revenues and operational cost will be provided within each Annual Work Plan and an annual report prepared by the Land Manager. This generalization of the operating budget suggests the importance of maintaining income levels in order to achieve the goals set forth in the other portions of this plan (i.e. sustainability).

